

REPORT ON THE INCREMENTAL COST INCENTIVES
RELATED TO COAL COMBUSTION RESIDUALS
SURFACE IMPOUNDMENTS FOR INVESTOR-OWNED
PUBLIC UTILITIES IN NORTH CAROLINA

Presented by

Chairman Edward S. Finley

North Carolina Utilities Commission

April 8, 2016

North Carolina Utilities Commission



Commissioners

Edward S. Finley, Jr., Chairman

Bryan E. Beatty
ToNola D. Brown-Bland
Don M. Bailey

James G. Patterson
Jerry C. Dockham
Lyons Gray

Dobbs Building, 430 North Salisbury Street

4325 Mail Service Center 27699-4300

Phone: (919) 733-4249

Fax: (919) 733-7300

www.ncuc.net

Origin of Report



- On September 18, 2015, the 2015 Appropriations Act, Session Law 2015-241 (House Bill 97) was signed into law.
- Section 29.18, required NCUC to submit a report to various Commissions and Committees of the North Carolina General Assembly containing information regarding incremental cost incentives related to coal combustion residuals (CCRs) surface impoundments for investor-owned public utilities.

Origin of Report (cont'd)

- Report was required to answer 3 questions:
 - (1) What is the NCUC's policy on allowed incremental cost recoupment?
 - (2) What is impact on utility customers' rates under the current policy on allowed incremental cost recoupment?
 - (3) Are there any possible revisions to the current policy on allowed incremental cost recoupment that would promote reprocessing and other technologies that allow the re-use of coal combustion residuals stored in surface impoundments for concrete and other beneficial end uses?

NCUC Preparation for Report



- Order was issued on September 19, 2015, in Docket No. E-100, Sub 146, requesting comments by interested parties.
- In particular, comments were requested regarding possible revisions to the current policy on allowed incremental cost recoupment that would promote reprocessing and other technologies that allow the re-use of coal combustion residuals stored in surface impoundments for concrete and other beneficial end uses.
- Dominion North Carolina Power (DNCP), Duke Energy Carolinas, LLC (DEC), Duke Energy Progress, LLC (DEP), and the Public Staff were asked to file comments.
- Other interested parties that filed comments were: Carolina Utility Customers Association, Inc. (CUCA), the North Carolina Attorney General (Attorney General), and the Carolinas Ready Mixed Concrete Association, Inc. (CRMCA).
- Commission responded to the three questions based upon current Commission policies and statutes as well as information provided in comments received.

Report Content – NCUC Policy on Cost Recoupment



Q1. What is the Commission's policy on allowed incremental cost recoupment?

- The Commission has consistently followed its long-standing practice of allowing reasonable and prudently incurred costs associated with the use of CCRs for beneficial purposes to be recovered through each utility's annual fuel and fuel-related charge adjustment clause rider (Fuel Rider). It has also been the Commission's practice to flow revenue realized from the sale of by-products produced in the generation of electricity through the Fuel Rider.
- Utilization of deferral accounting is another practice that the Commission has used in providing for the recovery of certain other reasonable and prudently incurred incremental costs.

Report Content – Impact on Utility Customers' Rates



Q2. What is the impact on utility customers' rates under the current policy on allowed incremental cost recoupment?

- The incremental cost recoupment for CCR re-use costs is allowed to be recovered through Fuel Riders.
- Electric utilities are currently re-using CCRs from recently burned coal.
- Sales of CCRs typically result in immediate net costs to ratepayers.

Report Content – Impact on Utility Customers' Rates (cont'd)



- Impact of cost recoupment through Fuel Riders over the last 7 years for DEC's and DEP's utility customers:

	<u>Duke Energy Carolinas (DEC)</u>			<u>Duke Energy Progress (DEP)</u>	
	Net (Gain)/Loss from Sale of By-Products (CCRs)	Monthly Impact		Net (Gain)/Loss from Sale of By-Products (CCRs)	Monthly Impact
<u>Year</u>	Amount Included in Fuel Adjustment Clause	Residential Customer Bill		Amount Included in Fuel Adjustment Clause	Residential Customer Bill
	(NC retail \$)	Per 1,000 kWh Usage		(NC retail \$)	Per 1,000 kWh Usage
2008	(\$735,846)	(\$0.01)		\$2,704,571	\$0.07
2009	\$1,522,417	\$0.03		\$4,691,162	\$0.13
2010	\$2,032,559	\$0.04		\$4,217,633	\$0.11
2011	\$2,119,096	\$0.04		\$14,370,218	\$0.38
2012	\$2,846,464	\$0.05		\$14,622,282	\$0.39
2013	\$2,354,530	\$0.04		\$17,157,603	\$0.46
2014	\$1,328,726	\$0.02		\$19,600,207	\$0.53
<u>Total</u>	\$11,467,946	\$0.03		\$77,363,676	\$0.30

Report Content – Possible Revisions to Current Policy



Q3. Are there any possible revisions to the current policy on allowed incremental cost recoupment that would promote reprocessing and other technologies that allow the re-use of coal combustion residuals stored in surface impoundments for concrete and other beneficial end uses?

- No changes are necessary to the Commission's long standing policies pertaining to CCRs cost recoupment.
- Current practices are sufficient to incentivize the utilities to continue to repurpose CCRs and to continue to search for new ways to do so.
- The General Assembly may be able to provide other incentives by relaxing statutory or regulatory constraints that may exist regarding the use of coal ash.

Report Content – Possible Revisions to Current Policy (cont'd)



- The Commission has employed measures to incentivize utilities to utilize their resources optimally – example Bulk Power Marketing (BPM).
- Several statutes have been enacted to permit annual rate adjustments to recover certain incremental costs – example G.S. 62-133.9, which permits recovery of costs associated with implementing demand-side management and energy efficiency measures, and allows for “appropriate rewards based on the sharing of savings achieved by the demand-side management and energy efficiency measures”
- In each of these scenarios, the actions that utilities are encouraged to take are expected to lead to additional revenue or to customer savings.
- In the case of CCR re-use, although there is a current cost, re-use avoids the greater future cost of otherwise disposing of the CCRs.
- Utilities already have an incentive to re-use as much of CCRs as possible because of the deadlines that the Coal Ash Management Act (CAMA) has imposed.

Report Content – Possible Revisions to Current Policy (cont'd)

- The General Assembly may be able to provide other incentives by relaxing statutory or regulatory constraints that may exist regarding the use of coal ash.
- Duke, for example, noted that the NC DOT limits replacement of cement with coal ash up to 30 percent and that a relaxation of this and similar limitations on CCR as structural fill could be a “game-changer”.

Report Conclusions



- The Commission is of the opinion that current policies and practices are adequate to encourage re-use of CCRs for concrete and other beneficial end uses.
- The Commission is open to and would welcome any expansion of or revision to its current cost recoupment policies that the General Assembly may consider appropriate.